



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GRANT COUNTY SHERIFF**

**Calendar Year 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Darrell Link, County Judge/Executive  
Honorable Randy Middleton, Grant County Sheriff  
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Grant County Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,088,751 As Collateral To Protect Deposits

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Hayden, Secretary, Revenue Cabinet  
Honorable Darrell Link, County Judge/Executive  
Honorable Randy Middleton or Randy Middleton, Grant County Sheriff  
Members of the Grant County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated November 23, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 23, 1999

GRANT COUNTY  
 RANDY MIDDLETON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$	6,330	
Conveyance of Prisoners		6,536	\$ 12,866

Circuit Court Clerk:

Sheriff Security Service	\$	28,350	
Fines and Fees Collected		2,486	30,836

Fiscal Court			6,644
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County Clerk-Delinquent Taxes			3,263
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Commission On Taxes Collected			179,753
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Fees Collected For Services:

Auto Inspections	\$	11,830	
Accident and Police Reports		132	
Serving Papers		24,861	
Warrants		289	37,112

Other:

Carrying Concealed Deadly Weapon Permits	\$	5,430	
Bond		102	
Miscellaneous		1,323	6,855

Interest Earned			3,665
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Borrowed Money:

State Advancement	\$	97,827	
Bank Note		9,000	106,827

Gross Receipts (Carried Forward)			\$ 387,821
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GRANT COUNTY  
RANDY MIDDLETON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1998  
(Continued)

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Gross Receipts (Brought Forward) \$ 387,821

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Gross Salaries \$ 108,422

Employee Benefits-

Employer's Share Social Security 11,005

Employer's Share Retirement 920

Employer's Share Hazardous Duty Retirement 26,060

Employer Paid Health Insurance 10,415

Contracted Services-

Vehicle Maintenance and Repairs 14,109

Materials and Supplies-

Office Materials and Supplies 10,805

Uniforms 5,375

Other Charges-

Conventions and Travel 535

Dues 514

Postage 4,984

Miscellaneous 1,349

Transporting Prisoners 5,909

KACO 317

Carrying Concealed Deadly Weapon Permits 3,590

Capital Outlay-

Equipment 2,504 \$ 206,813

Debt Service:

State Advancement \$ 97,827

Notes 9,000

Interest 53 106,880

Total Disbursements \$ 313,693



GRANT COUNTY  
RANDY MIDDLETON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1998  
(Continued)

Net Receipts		\$	74,128
Less: Statutory Maximum			<u>48,726</u>
Excess Fees Due County for Calendar Year 1998		\$	25,402
Payments to County Treasurer-January 18, 1999	\$	22,988	
November 30, 1999	<u>2,413</u>		<u>25,402</u>
Balance Due at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

GRANT COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.85 percent.

GRANT COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 1998  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff's office maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 10, 1998, the uncollateralized amount on deposit was \$1,088,751. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at as of November 10, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 2,025,000
Uncollateralized and uninsured	<u>1,088,751</u>
Total	<u><u>\$ 3,113,751</u></u>

Note 4. Drug Forfeiture Account

The Grant County Sheriff also maintains a drug forfeiture account. This account consists of money obtained through drug forfeitures and seizures. The balance as of December 31, 1998 was \$1,284.

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COMMENT AND RECOMMENDATION



GRANT COUNTY  
RANDY MIDDLETON, SHERIFF  
COMMENT AND RECOMMENDATION

December 31, 1998

STATE LAWS AND REGULATIONS:

The Sheriff Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,088,751 As Collateral To Protect Deposits

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The Sheriff's deposits were not adequately secured by \$1,088,751 as of November 10, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities as collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the Sheriff require depository institutions to pledge sufficient securities as collateral to protect deposits at all times.

*Management's Response:*

*I agree; and I will take care of this.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Darrell Link, County Judge/Executive  
Honorable Randy Middleton, Grant County Sheriff  
Members of the Grant County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Grant County Sheriff as of December 31, 1998, and have issued our report thereon dated November 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Grant County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grant County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Darrell Link, County Judge/Executive  
Honorable Randy Middleton , Grant County Sheriff  
Members of the Grant County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 23, 1999

